

PROFESSIONAL LIABILITY INSURANCE REQUIREMENTS POLICY

1.0 Purpose

1.1 Authoritative Guidance

The CPA Nova Scotia Board of Directors' *Professional Liability Insurance Requirements Policy* should be interpreted in conjunction with the [CPA Nova Scotia By-Laws](#) (the "By-Laws"):

Item	Relevant By-Law
Members	Section 7.2.2 (b), 20.4.5
Professional Corporations	Section 10.1.1 (k), 10.1.4 (g), & 10.4.1 (c)
Limited Liability Partnerships	Section 11.1.2 (f), 11.2.1 (f), 11.3.1 (g), 11.4.1, 11.5.1 (b) & 11.7.2 (d)
Sole Proprietors and Partnerships	Section 12.1.1 (c), 12.3.1, 12.3.2 & 12.4.1 (e)
Members and firms registered with CPA Nova Scotia engaged in a regulated service	Section 9.1.2 d (iii), Section 20.4
Suspensions	Section 17.1.1 (d) & (e)

1.2 Overview

The *Professional Liability Insurance Requirements Policy* is intended to protect members and the public from past, current and future acts performed in the practice of public accounting, as outlined in the [Chartered Professional Accountants Act \(the "Act"\)](#) Section 2(zm), and other regulated services ("ORS"), as outlined in By-Law Section 1.1.34. In general terms, this is achieved through minimum coverage limits, prior acts coverage and discovery period coverage. The *Professional Liability Insurance Requirements Policy* will clarify the specific requirements for professional liability insurance ("PLI").

2.0 Applicability

The practice of public accounting or the provision of ORS may only be performed through a registered firm or affiliate firm (the "Firm"). Prior to offering a regulated service through a Firm, every member who practices public accounting or offers ORS through a Firm must ensure that the Firm obtains and maintains the appropriate PLI coverage pursuant to the By-Laws and the *Professional Liability Insurance Requirements Policy*. Every Firm providing public accounting or ORS to the public shall maintain PLI coverage even if the services are provided on a voluntary or part-time basis.

3.0 Minimum Coverage Limits

- 3.1 Minimum coverage limits required for a Firm:
- a. \$1,000,000 per claim and \$1,000,000 in aggregate for each sole proprietorship or professional corporation, where only **one member** practices public accounting or engages in ORS. Defence costs are in addition to the per claim and aggregate limit.
 - b. \$1,500,000 per claim and \$1,500,000 in aggregate for each Firm where **two or three members** practice public accounting or engage in ORS. Defence costs are in addition to the per claim and aggregate limit.
 - c. \$2,000,000 per claim and \$2,000,000 in aggregate for each Firm where **four or more members** practice public accounting or engage in ORS. Defence costs are in addition to the per claim limit and aggregate limit.

4.0 Mandatory Coverage Terms

- 4.1 Legal/defence costs are in addition to the per claim and aggregate limit.
- 4.2 All PLI contracts must include an endorsement requiring the PLI provider to advise CPA Nova Scotia in writing to registrations@cpans.ca within 30 days:
- a. if a policy is cancelled or not renewed; or
 - b. if the coverage is below the minimum coverage required as outlined in the *Professional Liability Insurance Requirements Policy*.
- 4.3 Firms are required to have coverage for full prior acts.
- a. The PLI policy must provide PLI coverage for claims made and reported within the PLI policy period to ensure that claims that may have occurred in the past or during the current policy period are insured in accordance with the *Professional Liability Insurance Requirements Policy*. This ensures current and previously performed public accounting services and/or ORS are covered by the Firm's PLI policy.
 - b. The PLI policy endorsements should include all applicable Named Insureds to ensure that all prior acts of all relevant Named Insureds are covered by the Firm's PLI policy.

5.0 Discovery Period Insurance

- 5.1 A registered firm that has ceased practicing and has withdrawn from the practice of public accounting and/or the performance of ORS is required to carry discovery period insurance for a **minimum period of six years** after the registered firm ceases to practice. A PLI provider may refer to the period following the cessation of practice as the Discovery Period or the Extended Reporting Period (the “Discovery Period”). The Discovery Period policy must maintain the Minimum Coverage Limits and Mandatory Coverage Terms outlined in the *Professional Liability Insurance Requirements Policy* throughout the entire Discovery Period.
- a. The Discovery Period policy must cover all acts of the deregistered firm, and all applicable Named Insureds of the deregistered firm.
 - b. If a successor registered firm takes over the practice of a registered firm (the “Predecessor Firm”) that ceases to practice, the successor firm may choose to cover the PLI for the Predecessor Firm during the Predecessor Firm’s six-year Discovery Period. The successor firm will then be required to provide evidence that the Predecessor Firm has been added as a Named Insured to the PLI policy of the successor firm. Otherwise, the Predecessor Firm will be required to take out a separate Discovery Period Policy for the deregistered firm.

6.0 PLI Providers

- 6.1 Firms may choose their PLI providers, so long as their PLI policy meets the minimum requirements in the By-Laws and *Professional Liability Insurance Requirements Policy*. PLI contracts must be with reputable and well-recognized PLI providers. It is the firm representative’s responsibility to ensure that the terms of the PLI policy meet the minimum requirements of the *Professional Liability Insurance Requirements Policy*. We recommend contacting CPA Nova Scotia in advance of purchasing a PLI policy if you are unsure whether the terms of the PLI policy are in accordance with the *Professional Liability Insurance Requirements Policy* and the By-Laws.

7.0 PLI Declaration:

7.1 Active Firms

- 7.1.1 The *Professional Liability Insurance Declaration* is an annual declaration that must be made which details the relevant PLI policy coverage terms of your Firm’s PLI policy. The firm representative must submit the *Professional Liability Insurance Declaration* online through the CPA Nova Scotia member portal by the annual anniversary date of the PLI policy.

- 7.1.2 All relevant PLI renewal documents must be uploaded to the online *Professional Liability Insurance Declaration* for the declaration process to be completed. The uploaded documents must include the following:
- a. The PLI Declaration Certificate (otherwise known as the Certificate of Insurance)
 - b. All PLI policy endorsements
 - c. The underlying PLI insurer policy
- 7.1.3 The PLI provider who issued your Firm the PLI policy should be contacted to obtain the required PLI documents. The limits per claim, as well as the aggregate limit, should be reviewed to ensure the limits are in accordance with the *Professional Liability Insurance Requirements Policy*. Please keep in mind that various PLI providers may offer different PLI coverage options. It is the responsibility of the firm representative to ensure that the PLI policy meets the *Professional Liability Insurance Requirements Policy*.

7.2 Deregistered Firms

- 7.2.1 The *Professional Liability Insurance Declaration – Deregistered Firms* must also be completed during the **Discovery Period** for the full six years after the registered firm has ceased practice.
- a. If Discovery Period insurance is renewed on an annual basis, the firm representative of the deregistered firm must complete the *Professional Liability Insurance Declaration* and provide evidence of Discovery Period insurance on the anniversary date of the Discovery Period insurance policy throughout the entire Discovery Period.
 - b. If Discovery Period insurance is purchased for the full six-year Discovery Period upon cessation of practice, the firm representative of the deregistered firm must complete the *Professional Liability Insurance Declaration* upon firm deregistration and provide evidence that the Discovery Period insurance is in place for the full six-year Discovery Period.
 - c. On occasion, sole practitioners who have been claims-free for a certain period may be eligible for Discovery Period insurance free of charge from their PLI provider for the six-year Discovery Period. The firm representative of the deregistered firm must complete the *Professional Liability Insurance Declaration* upon firm deregistration and provide evidence that the Discovery Period insurance is in place for the full six-year Discovery Period.

8.0 Proof of PLI

- 8.1 The firm representative must provide proof of PLI to CPA Nova Scotia in the following situations:
- a. **When registering a Firm.** Applicants are required to submit proof of PLI, including the PLI declaration certificate, all PLI policy endorsements, the underlying PLI insurer policy, and the *Professional Liability Insurance Declaration - New Firms*, with their Firm registration application.
 - b. **Annually on the anniversary date of the Firm's PLI policy.** Applicants are required to complete the annual *Professional Liability Insurance Declaration*.
 - c. **Within thirty days of any changes to the Firm's PLI policy.**
 - d. **Within ten days of the expiry of the Firm's PLI policy.**
 - e. **When the Firm stops engaging in the practice of public accounting or providing ORS to the public.** At this time, the Firm will require a Discovery Period policy.

9.0 Changes to PLI

- 9.1 In accordance with By-Law Section 20.4.6, each Firm must advise the Chief Executive Officer or their delegate in writing of any change to the information set out in the declaration within thirty days of such change. Changes to a Firm's PLI policy include any changes to the PLI policy terms or PLI policy endorsements.
- 9.2 A Firm must inform the Chief Executive Officer in writing within ten days if it no longer maintains the PLI coverage required pursuant to By-Law Section 20.4.1 and 20.4.2.

10.0 Exemptions from the *Professional Liability Insurance Requirements Policy*:

- 10.1 The *Professional Liability Insurance Requirements Policy* provides for the following exemptions:
- a. In accordance with By-Law 8.1.2 (d), a member providing ORS qualifies for an exemption from firm registration when the professional service provided is as a member whose current firm cannot be registered with CPA Nova Scotia due to non-compliance with the legal and beneficial ownership requirements outlined in By-Laws 10.1.1 (d), 11.2.1 and 12.1.1. This exemption may apply when there have been no changes to the legal and beneficial ownership of the firm since October 27, 2023, and a member worked for an unregistered firm prior to October 27, 2023, and continues to work at this unregistered firm performing ORS pursuant to By-Law 1.1.34(d). In such a case, the member must demonstrate that they maintain comparable PLI requirements, as outlined in By-Laws Section 20.4.

- b. In accordance with By-Law Section 8.1.2 (c), a member providing ORS qualifies for an exemption from firm registration when the professional service provided is as a member who is governed by another professional regulatory body that is approved by the Board, as determined from time to time. In such a case, the member must demonstrate that they maintain comparable PLI as outlined in By-Laws Section 20.4.
- c. In exceptional circumstances, a Firm may apply to the Registrar of CPA Nova Scotia to be exempted from the requirement to carry PLI. The Registrar shall review the application and determine if an exemption shall be granted.

If an exemption is granted, the Firm may be required to provide evidence satisfactory to CPA Nova Scotia that the Firm is adequately self-insured in accordance with the minimum coverage limits outlined in the *Professional Liability Insurance Requirements Policy*. Evidence of sufficient self-insurance reserves must be promptly provided upon request.

- d. In exceptional circumstances, CPA Nova Scotia may allow the Firm to self-insure against certain legal/defence costs. Evidence of sufficient self-insurance reserves must be provided upon request.
- e. In accordance with By-Law Section 20.4.3, members holding the Office of the Auditor General of a Canadian federal, provincial or municipal government and any members employed therewith are exempt from the minimum PLI coverage requirements outlined in the *Professional Liability Insurance Requirements Policy*.

11.0 Suspension

- 11.1 In accordance with By-Law Section 17.1.1, the Chief Executive Officer may suspend the registration of any Firm pursuant to Section 30 of the Act for failure to do the following:
 - a. Maintain PLI, as required in the By-Laws.
 - b. Complete the *Professional Liability Insurance Declaration* within thirty days after the due date, as required in the By-Laws.